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H-03 INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01

SS-15 USIA-15 IGA-02 AID-20 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 OMB-01 AGR-20 STR-08 CEA-02 IO-13

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DRAFTED BY NEA/INS:LBLAINGEN

7/18/73

APPROVED BY E - MR. CASEY

S/S - MR. GAMMON

NEA: MR. DAVIES

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R 192028Z JUL 73

FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI

INFO AMEMBASSY ISLAMABAD

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E.O. 11652: NA

TAGS: PFOR, IN

SUBJ: AMBASSADOR KAUL'S MEETING WITH UNDER SECRETARY
CASEY

1. SUMMARY: AMBASSADOR KAUL PAID COURTESY CALL ON
UNDER SECRETARY CASEY ACCOMPANIED BY RAMAKRISHNA AND
DHUME. LAINGEN AND KEMPE SAT IN. KAUL EXPRESSED HOPE
US WOULD SOON TAKE DECISION ON FUTURE AID RELATIONSHIP
WITH INDIA. ASKED THAT USG REVIEW ITS POSITION ON
DEBT RECHEDULING WITHIN CONSORTIUM, NOTED PROBLEMS FOR
INDIA CREATED BY RELEASE OF MICA FROM US STOCK PILES
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AND CITED URGENCY OF INDIAN FOODGRAIN PROCUREMENT IN US.

UNDER SECRETARY NOTED US INTEREST IN REBUILDING ECONOMIC RELATIONSHIP WITH INDIA ON BASIS MUTUALITY AND WITH DUE REGARD FOR CONTRIBUTION THAT TRADE AND INVESTMENT CAN MAKE. ASKED AMBASSADOR TO CONVEY TO HIS GOVERNMENT IMPORTANCE USG ATTACHES TO EARLY ACTION BY GOI ON COMPENSATION FOR NATIONALIZED US INSURANCE INTERESTS IN INDIA. END SUMMARY.

2. AMBASSADOR KAUL ASKED FOR THE UNDER SECRETARY'S IMPRESSIONS OF OUR BILATERAL RELATIONSHIP. UNDER SECRETARY CASEY NOTED DESIRE USG TO PUT OVERALL US-INDIA RELATIONSHIP ON MORE SOLID BASIS WHERE THERE WOULD BE GREATER UNDERSTANDING AND A PATTERN OF POLICIES OF MUTUAL BENEFIT. THERE WAS NEED TO PUT ECONOMIC RELATIONSHIP ON BASIS OF DIRECT MUTUALITY, WHERE WE CONTRIBUTE TO INDIA'S WELL BEING BUT WHERE INDIA IS ALSO CONCERNED WITH US ECONOMIC INTERESTS. THERE WAS NEED FOR MUTUAL EXAMINATION OF WHAT WE CAN DO TOGETHER IN MULTILATERAL AREAS, INCLUDING TRADE, MONETARY, INVESTMENT AND DEVELOPMENT MATTERS, ALL OF WHICH NEEDED TO BE CONSIDERED TOGETHER AS PART OF OVERALL TRADE AND DEVELOPMENT POLICY.

3. KAUL SAID INDIA WOULD HAVE NO DIFFICULTY WITH THIS APPROACH. IT WELCOMED INCREASING EMPHASIS ON MUTUAL COOPERATION RATHER THAN OLD DONOR/RECIPIENT RELATIONSHIP. INDIA HOPED US WOULD GIVE SPECIAL CONSIDERATION TO INDIA IN DEVELOPING OVERALL MULTILATERAL APPROACH IN ECONOMIC FIELD. THAT APPLIED PARTICULARLY TO EVOLVING TRADE BILL WHERE KAUL SAID IT WAS IMPORTANT THAT INDIAN PRODUCTS SUCH AS TEXTILES BE GIVEN SPECIAL CONSIDERATION.

4. ON FUTURE OF BILATERAL ASSISTANCE, THIS WAS MATTER FOR US TO DECIDE BUT KAUL HOPED US COULD COME TO DECISIONS SHORTLY. INDIA SEEKING GREATER SELF-RELIANCE WITH GREATER EMPHASIS ON TRADE RATHER THAN AID AND ECONOMIC COOPERATION ACROSS THE BOARD. HOWEVER, THIS DID NOT MEAN INDIA WOULD NOT NEED CONTINUED ASSISTANCE, GIVEN EXTENT OF INDIAN FOREIGN INDEBTEDNESS. INDIA'S HOPES TO MOVE TOWARD ZERO NET AID ALSO COMPLICATED BY LIMITED OFFICIAL USE

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EMERGENCY FOODGRAINS REQUIREMENTS. KAUL EXPRESSED SOME CONCERN OVER WHAT HE DESCRIBED AS TENDENCY TOWARD SECTORAL AID APPROACH ON HILL AND IN OTHER CIRCLES. INDIA WOULD HAVE NO PROBLEM WITH THIS, PROVIDED IT WAS RECOGNIZED THAT EACH COUNTRY DIFFERED IN ITS STAGE OF DEVELOPMENT AND THERE WAS SOME DEGREE OF FLEXIBILITY IN AID APPROACH. UNDER SECRETARY EXPRESSED CONFIDENCE THAT EVOLVING ASSISTANCE LEGISLATION WOULD HAVE SUFFICIENT

FLEXIBILITY WITHIN IT SO THAT A DEVELOPMENT PROGRAM COULD BE FASHIONED EFFECTIVELY FOR NEEDS OF EACH COUNTRY. WHAT WAS IMPORTANT WAS TO SEE AID AS ONLY ONE PART OF MUTUALLY SELF-SUPPORTING APPROACH ON THE PART OF DONOR AND RECIPIENT COUNTRIES, IN WHICH TRADE AND INVESTMENT WOULD HAVE MAJOR ROLE AS WELL.

5. KAUL ALSO REFERRED TO DEBT RESCHEDULING EXERCISE WITHIN CONSORTIUM. NOTED DIFFERENCES IN INDIAN AID/ TRADE RELATIONSHIPS WITH CONSORTIUM ON ONE HAND AND NON-CONSORTIUM COUNTRIES ON OTHER. SAID HE HAD TALKED WITH MCNAMARA AT WORLD BANK ON THIS SUBJECT BUT BELIEVED US HELD KEY TO DECISIONS, AND HOPED US WOULD TAKE ANOTHER LOOK AT IT. INDIA HAD, OF COURSE, PRESSED THIS ISSUE

WITH THE SOVIETS, HE HAD DONE SO PERSONALLY WITH KOSYGIN BUT THIS COULD NOT BE PUT ON SAME BASIS AS WAS DONE WITH CONSORTIUM AND THEREFORE INDIA COULD NOT BE EXPECTED TO GO BEYOND POSITION IT TOOK IN LAST YEAR'S CONSORTIUM RESCHEDULING EXERCISE.

6. KAUL SAID HE WISHED TO RAISE QUESTION OF PROCEDURES ON US STOCK PILE RELEASES, MOST RECENTLY IN CASE OF MICA WHERE US ACTION COULD HAVE SIGNIFICANT IMPACT ON INDIA. UNDER SECRETARY INQUIRED WHETHER CONSULTATIONS HAD NOT OCCURED AND WAS ASSURED BY KAUL THAT THIS HAD BEEN DONE BUT THAT IN OPINION GOI THERE HAD NOT YET BEEN SUFFICIENTLY ENCOURAGING RESPONSE. UNDER SECRETARY ASSURED KAUL THAT PURPOSE OF CONSULTATION PROCESS WAS TO ENSURE THAT INTERESTS OF ALL CONCERNED CAREFULLY CONSIDERED AND US WOULD CONTINUE TO DO ITS BEST ON THIS.

7. KAUL ASKED UNDER SECRETARY'S OPINION TO WHAT EXTENT LIMITED OFFICIAL USE

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PHASE IV DECISION WOULD HAVE IMPACT ON EXPORT FOODGRAIN ALLOCATIONS, NOTING DIFFICULTIES EXPERIENCED BY GOI PROCUREMENT OFFICES HERE IN OBTAINING COMMITMENTS FOR FOODGRAIN SHIPMENTS. UNDER SECRETARY NOTED THAT PHASE IV STILL UNDER ACTIVE DISCUSSION SO HE COULD NOT BE VERY SPECIFIC. NONETHELESS, HE WAS HOPEFUL THAT THERE WOULD BE POTENTIAL FOR A LEVEL OF EXPORTS IN LINE WITH GOOD CROPS NOW EXPECTED. IN RESPONSE TO AMBASSADOR'S QUERIES WHETHER INDIA SHOULD DELAY FURTHER PROCUREMENT EFFORTS, UNDER SECRETARY SAID THIS WAS BASICALLY INDIAN DECISION TO BE MADE IN CONTEXT URGENCY OF INDIAN NEEDS AS SEEN BY GOI.

8. UNDER SECRETARY TOOK OCCASION TO NOTE FACT THAT SEVERAL US INSURANCE COMPANIES STILL AWAITING DECISION ON

PART GOI AS TO COMPENSATION FOR NATIONALIZATION ACTIONS
IN INSURANCE FIELD AND SAID USG VERY MUCH HOPED THAT
ACTION WOULD BE TAKEN SOON. THIS WOULD BE IMPORTANT TO
OUR OVERALL ECONOMIC RELATIONSHIP. KAUL ASSURED UNDER
SECRETARY THAT HE WOULD CONVEY USG VIEWS AND THAT HE WAS
CONFIDENT THAT THERE WOULD BE NO DISCRIMINATION OF ANY
KIND AND THAT COMPENSATION WOULD BE EQUITABLE. RUSH

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